

Allocation of Proceeds Upon Issuance of Media Stock. If the Communications Group, at the time the Company issues any shares of Media Stock, holds an Inter-Group Interest representing an interest in the equity value of the Media Group, the Board would, in its sole discretion, determine whether to allocate all or any portion of the proceeds of such issuance to the Media Group or to the Communications Group. To the extent the net proceeds of such issuance of shares of Media Stock are allocated to the Media Group, the financial statements of the Media Group would reflect the receipt of such proceeds. To the extent such net proceeds are allocated to the Communications Group, the financial statements of the Communications Group would reflect a reduction in the Inter-Group Interest and the receipt of such proceeds.

Public Policy Determinations. Because of the nature of the businesses of the Communications Group and the Media Group, the Groups may have diverging interests as to the position the Company should take with respect to various regulatory issues. For example, the Communications Group's interests may be advanced by regulation requiring all common carriers, including new entrants, to comply with the same tariff filing and approval requirements, while the Media Group's interests may be advanced by regulation permitting non-dominant, new entrants to comply with a relaxed set of requirements. In addition, increasing overlap between the businesses of the two Groups resulting from regulatory changes and technological advancements may increase such conflicts. The Board will ensure that management implements procedures to resolve any such conflict in the best interests of the Company and all of its stockholders. In the event any such conflict cannot be resolved or otherwise requires resolution by the Board, the Board would resolve such conflict in accordance with its good faith business judgment of the best interests of the Company and all of its stockholders.

Operational and Financial Decisions. The Board could, in its sole discretion, from time to time, make operational and financial decisions or implement policies that affect disproportionately the businesses of the Communications Group and the Media Group, such as transfers of services, funds or assets between Groups and other inter-Group transactions, the allocation of financing opportunities in the public markets and the allocation of business opportunities, resources and personnel that may be suitable for both Groups. Any such decision may favor one Group at the expense of the other. For example, the decision to obtain funds for one Group may adversely affect the ability of the other Group to obtain funds sufficient to implement its growth strategies. In addition, the increasing overlap between the businesses of the two Groups as a result of regulatory changes and technological advancements will make such operational and financial decisions more difficult. All such decisions will be made by the Board in its good faith business judgment or in accordance with procedures and policies adopted by the Board from time to time, including the policies described under "Proposal 1 — The Recapitalization Proposal — Certain Management Policies," to ensure that such decisions will be made in a manner consistent with the best interests of the Company and its stockholders. For further discussion of potential divergences of interests, see "— Fiduciary Duties of the Board," "— Transfer of Funds Between Groups; Equity Contributions" and "Proposal 1 — The Recapitalization Proposal — Certain Management Policies." Many of the foregoing conflicts exist today with respect to decisions that affect disproportionately U S WEST Communications and the rest of the Company's businesses.

Fiduciary Duties of the Board. Although the Company is not aware of any legal precedent involving the fiduciary duties of directors of corporations having two classes of common stock, or separate classes or series of capital stock, the rights of which are defined by reference to specified operations of the corporation, principles of Delaware law established in cases involving differing treatment of two classes of capital stock or two groups of holders of the same class of capital stock provide that a board of directors owes an equal duty to all stockholders regardless of class or series. Under these principles of Delaware law and the related principle known as the "business judgment rule," absent abuse of discretion, a good faith business decision made by a disinterested and adequately informed Board, or a committee thereof, with respect to any matter having disparate impacts upon holders of Communications Stock and holders of Media Stock would be a defense to any

challenge to such determination made by or on behalf of the holders of either class of Common Stock. Nevertheless, a Delaware court hearing a case involving such a challenge may decide to apply principles of Delaware law other than those discussed above, or may develop new principles of Delaware law, in order to decide such a case, which would be a case of first impression.

Management and Accounting Policies Subject to Change. The Board has adopted certain management and accounting policies described herein applicable to the preparation of the financial statements of the Communications Group and the Media Group and the conduct of their respective businesses, which policies may be modified or rescinded in the sole discretion of the Board without approval of the stockholders, although there is no present intention to do so. The Board may also adopt additional policies depending upon the circumstances. Any determination of the Board to modify or rescind such policies, or to adopt additional policies, including any such decision that would have disparate impacts upon holders of Communications Stock and Media Stock, would be made by the Board based on its good faith business judgment that such decision is in the best interests of the Company and all the Company's stockholders, including the holders of Communications Stock and the holders of Media Stock. In making such determination, the Board may also consider regulatory requirements, including those imposed on U S WEST Communications by the public utility commissions of various states (the "PUCs") and the Federal Communications Commission (the "FCC"). In addition, generally accepted accounting principles require that any change in accounting policy be preferable (in accordance with such principles) to the policy previously established. See "Proposal 1 — The Recapitalization Proposal — Certain Management Policies" and "— Accounting Matters and Policies."

Transfer of Funds Between Groups; Equity Contributions. The Company does not intend to transfer funds between the Groups, except for certain short-term ordinary course advances of funds at market rates associated with the Company's centralized cash management. The Board may, however, in certain circumstances determine to transfer funds between Groups. Any such determination to transfer funds between Groups would be made by the Board in the exercise of its good faith business judgment based upon all relevant circumstances, including the financing and investing needs and objectives of each Group, the availability, cost and time associated with alternative financing sources, investment opportunities, prevailing interest rates and general economic conditions. Any such transfer would be accounted for, in the sole discretion of the Board, as either a market rate interest bearing loan or, as described in the next paragraph, an equity contribution. No loans will be made by the regulated businesses of the Communications Group to the Media Group. See "Proposal 1 — The Recapitalization Proposal — Certain Management Policies."

Under management policies adopted by the Board, the Board could in its sole discretion, determine from time to time to contribute, as additional equity, cash or other property of the Communications Group to the Media Group, thereby creating or increasing the Inter-Group Interest, which will represent an interest in the equity value of the Company attributable to the Media Group. Similarly, the Board could, in its sole discretion, determine from time to time to transfer cash or other property from the Media Group to the Communications Group, thereby decreasing the Inter-Group Interest. Although any increase in the Inter-Group Interest resulting from an equity contribution by the Communications Group to the Media Group or any decrease in the Inter-Group Interest resulting from a transfer of funds from the Media Group to the Communications Group would be determined by reference to the then current Market Value of Media Stock, such an increase could occur at a time when such shares could be considered undervalued and such a decrease could occur at a time when such shares could be considered overvalued. The holders of outstanding shares of Media Stock would not have an opportunity to participate in a similar transaction. See "Proposal 1 — The Recapitalization Proposal — Future Inter-Group Interest."

Absence of Approval Rights of Future Issuances of Authorized Shares. The approval of the stockholders of the Company will not be solicited by the Company for the issuance of authorized but unissued shares of Communications Stock or Media Stock, unless such approval is deemed advisable by the Board or is required by applicable law, regulation or stock exchange listing requirements.

Limitations on Potential Unsolicited Acquisitions. If the Communications Group or Media Group were stand-alone corporations, any person interested in acquiring either of such corporations without negotiation with management could seek control of the outstanding stock of such corporation by means of a tender offer or proxy contest. Although the Recapitalization Proposal would create two classes of Common Stock that are intended to reflect the separate performance of the Groups, a person interested in acquiring only one Group without negotiation with the Company's management would still be required to seek control of the voting power represented by all of the outstanding capital stock of the Company entitled to vote on such acquisition, including the class of Common Stock related to the other Group. See "— Limited Separate Stockholder Rights; No Additional Rights with respect to the Groups; Effects on Voting Power" and "Proposal 1 — The Recapitalization Proposal — Description of Communications Stock and Media Stock — Voting Rights."

Anti-Takeover Considerations. As a result of the reincorporation of the Company in Delaware, certain provisions of Delaware law could have the potential to make an attempted takeover of the Company by a third party more difficult. See "Proposal 1 — The Recapitalization Proposal — Anti-Takeover Considerations."

Potential Effects of Possible Disposition of Assets Attributed to a Group. The terms of the Common Stock provide that upon a Disposition of all or substantially all of the properties and assets attributed to any Group, the Company would be required, subject to certain exceptions, either to pay a special dividend on or redeem the outstanding shares of the class of Common Stock relating to such Group or convert such Common Stock into shares of the class of Common Stock relating to the other Group. If the Group subject to such Disposition were a separate independent company and its shares were acquired by another person, certain costs of such Disposition, including corporate level taxes, might not be payable in connection with such an acquisition. As a result, the consideration that would be received by stockholders of such separate independent company in connection with such an acquisition might be greater than the Fair Value of the Net Proceeds that would be received by holders of the class of Common Stock relating to such Group if the assets attributed to such Group were sold. In addition, no assurance can be given that the Net Proceeds per share of the class of Common Stock relating to such Group to be received in connection with a Disposition of all of the assets attributed to such Group will be equal to or more than the market value per share of such Common Stock prior to or after announcement of such Disposition. See "— No Assurance as to Market Price" and "Proposal 1 — The Recapitalization Proposal — Description of Communications Stock and Media Stock — Conversion and Redemption — Mandatory Dividend, Redemption or Conversion of Common Stock."

No Assurance as to Market Price. Because there has been no prior market for the Communications Stock or the Media Stock, there can be no assurance as to their market price following the Merger. Moreover, there can be no assurance that the combined market values of the Communications Stock and the Media Stock held by a stockholder after the Merger will equal or exceed the market value of the Existing Common Stock held by such stockholder prior to the Merger. See "Price Ranges of Existing Common Stock."

The market prices of the Communications Stock and the Media Stock would be determined in the trading markets and could be influenced by many factors, including the consolidated results of the Company, as well as the respective performances of the Communications Group and the Media Group, investors' expectations for the Company as a whole, the Communications Group and the Media Group, the regulatory environment, trading volume, share issuances and repurchases and general economic and market conditions. There can be no assurance that investors would assign values to the Communications Stock and Media Stock based on the reported financial results and prospects of the relevant Group or the dividend policies established by the Board with respect to such Group. Accordingly, financial effects of either Group that affect the Company's consolidated results of operations or financial condition could affect the market price of shares of both the Communications Stock and the Media Stock. In addition, the Company cannot predict the impact on their market prices of certain terms of the securities, such as the redemption and conversion rights applicable upon the disposition of substantially all the assets attributed to either Group, the ability of the Company to convert shares

of one class of Common Stock into shares of the other class of Common Stock or the discretion of the Board to make various determinations. There is no assurance that the Media Stock will be included in any stock market index in which the Existing Common Stock is now included, or that the Communications Stock will continue to be included in such index. Not being included in an index could adversely affect demand for the Media Stock or the Communications Stock and, consequently, the market price thereof.

GENERAL

This Proxy Statement is furnished to the shareholders of U S WEST in connection with the solicitation of proxies by the Board for use at the Special Meeting to be held on October 31, 1995. This Proxy Statement is first being mailed to shareholders on or about September 5, 1995. At the Special Meeting, holders of Existing Common Stock will consider and vote upon approval of the Recapitalization Proposal and Proposals 2 and 3. Such stockholders will also consider and vote upon such other matters as may properly be brought before the meeting.

Only holders of record of shares of the Existing Common Stock and the Existing Series B Preferred Stock at the close of business on September 5, 1995 will be eligible to vote at the Special Meeting. As of August 24, 1995, the most recent practicable date prior to the date of this Proxy Statement, the Company had issued and outstanding 471,395,359 shares of Existing Common Stock and 50,000 shares of Series B Preferred Stock. The 9,242,072 shares of Existing Common Stock held in the Company's treasury will not be voted. Each share of Existing Common Stock is entitled to one vote on all Proposals and each share of Existing Series B Preferred Stock is entitled to one vote only with respect to the Recapitalization Proposal. The presence of a majority of the outstanding shares of the Existing Common Stock and a majority of the outstanding shares of the Existing Series B Preferred Stock represented in person or by proxy at the Special Meeting will constitute a quorum. Shares represented by properly executed proxies in time for the Special Meeting will be voted at such meeting in the manner specified by the holders thereof. Proxies which are properly executed but which do not contain voting instructions will be voted in favor of approval and adoption of the Recapitalization Proposal and Proposals 2 and 3. Shares represented by proxies which are marked "abstain" will be counted as shares present for purposes of determining the presence of a quorum. Proxies relating to "street name" shares that are voted by brokers on one or more but less than all the proposals will nevertheless be treated as shares present for purposes of determining the presence of a quorum, but will not be treated as shares entitled to vote at the Special Meeting as to the proposal as to which authority to vote is withheld by the broker ("broker non-votes"). It is not expected that any matter other than those referred to herein will be brought before the Special Meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment with respect to such matters. The grant of a proxy on the enclosed form does not preclude a shareholder from voting in person. A shareholder may revoke a proxy at any time prior to its exercise by submitting a new proxy at a later date, by filing with the Secretary of the Company a duly executed revocation of proxy bearing a later date or by voting in person at the Special Meeting. Attendance at the Special Meeting will not of itself constitute revocation of a proxy.

For participants in the U S WEST Shareowner Investment Plan, the proxy card will cover the number of full shares in the plan account, as well as shares registered in the participant's name. For participants in the U S WEST Payroll Stock Ownership Plan ("PAYSOP") or the U S WEST Savings Plan/ESOP ("SP/E"), the proxy card will also serve as a voting instruction card for the trustees of those plans with respect to the shares held in the participants' accounts. Shares held in the SP/E for which proxy cards are not returned (as well as shares held in the suspense account under the plan) will be voted by the trustee of the SP/E in accordance with its own proxy voting guidelines. Shares held in the PAYSOP cannot be voted unless a proxy card covering those shares is signed and returned.

The Recapitalization Proposal will require the affirmative vote of (i) the holders of a majority of the outstanding shares of Existing Common Stock, voting as a separate class, (ii) the holders of two-thirds of the outstanding shares of Existing Series B Preferred Stock, voting as a separate class, and

(iii) the holders of a majority of all outstanding shares of Existing Common Stock and Existing Series B Preferred Stock, voting together as a single class. Accordingly, with respect to the Recapitalization Proposal, abstentions and broker non-votes will have the same effect as negative votes. Proposals 2 and 3 will each be decided by the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote thereon. Accordingly, with respect to Proposals 2 and 3, an abstention will have the same effect as a negative vote but, because shares held by brokers will not be considered entitled to vote on matters as to which such brokers withhold authority, a broker non-vote will not have the same effect as a negative vote.

Fund American, the sole holder of all of the outstanding shares of Existing Series B Preferred Stock, has agreed to vote such shares in favor of the Recapitalization Proposal. The directors and executive officers of U S WEST beneficially own less than one percent of the outstanding shares of Existing Common Stock.

A proxy card is enclosed for your use. YOU ARE SOLICITED ON BEHALF OF THE BOARD TO COMPLETE, SIGN, DATE AND RETURN THE PROXY CARD IN THE ACCOMPANYING ENVELOPE, which is postage-paid if mailed in the United States.

U S WEST Delaware is a wholly-owned subsidiary of U S WEST and is not engaged in any business activity unrelated to the Merger. The principal executive offices of U S WEST and U S WEST Delaware are located at 7800 East Orchard Road, Englewood, Colorado 80111 (telephone number (303) 793-6500).

PROPOSAL 1 — THE RECAPITALIZATION PROPOSAL

General

The holders of the Existing Common Stock are being asked to consider and approve the Recapitalization Proposal which, if approved, would constitute approval of the Merger Agreement, pursuant to which:

(i) U S WEST would be merged with and into U S WEST Delaware, with U S WEST Delaware continuing as the surviving corporation; and

(ii) each outstanding share of Existing Common Stock would be automatically converted into one share of Communications Stock and one share of Media Stock and each outstanding share of Existing Series B Preferred Stock would be automatically converted into one share of Series C Preferred Stock.

The ratio of one share of Media Stock for each share of Existing Common Stock was determined by the Board in consultation with Lehman Brothers Inc., the Company's lead financial advisor, and Morgan Stanley & Co. Incorporated, the Company's co-advisor in connection with the Recapitalization Proposal, and is based upon the desired initial trading range of the Media Stock and the common stockholders' equity value of the Company attributable to the Media Group. This equity value was established by taking into account, among other factors, the initial level of the Company's debt and equity capitalization to be assigned to the Media Group, the Media Group's recent historical financial performance relative to its competitors that are publicly traded and the current state of the markets for public offerings and other stock transactions. The conversion of the Existing Common Stock into Communications Stock and Media Stock is intended to be tax free. See "— Certain Federal Income Tax Considerations."

IF THE RECAPITALIZATION PROPOSAL IS NOT APPROVED BY THE SHAREHOLDERS, THE MERGER WILL NOT BE CONSUMMATED AND THE EXISTING COMMON STOCK WILL NOT BE CONVERTED INTO COMMUNICATIONS STOCK AND MEDIA STOCK.

If the Recapitalization Proposal is approved by shareholders, the Company anticipates that the Merger will become effective following the filing of a certificate of merger with the Secretary of State of Delaware and articles of merger with the Secretary of State of Colorado. The time of such effectiveness

is referred to herein as the "Effective Time." It is presently anticipated that such filings will be made as promptly as practicable after the Special Meeting. No state or federal regulatory approvals are required in connection with the consummation of the Merger.

The authorized but unissued shares of Communications Stock and Media Stock would be available for issuance from time to time by the Company at the discretion of the Board for any proper corporate purpose, which could include raising capital, payment of dividends, providing compensation or benefits to employees or acquiring companies or businesses. The issuance of such additional shares would not be subject to approval by the stockholders of the Company unless deemed advisable by the Board or required by applicable law, regulation or stock exchange listing requirements.

The Merger Agreement may be terminated at any time prior to the Effective Time, either before or after shareholder approval, by the Board for any reason, including if the Board determines that the amount required to be paid to holders of Existing Common Stock who exercise their dissenters' rights with respect to the Merger will adversely affect the Company's financial condition. In addition, the terms of the Merger Agreement may be amended prior to the Effective Time, provided that the Merger Agreement may not be amended after the Merger has been approved by U S WEST's shareholders if, in the judgment of the Board, such amendment would have a material adverse effect on the rights of shareholders.

Recommendation of the Board

THE BOARD HAS UNANIMOUSLY ADOPTED THE RECAPITALIZATION PROPOSAL AND BELIEVES THAT ITS APPROVAL IS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS. ACCORDINGLY, THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF THE RECAPITALIZATION PROPOSAL.

Exchange Procedures; Odd-Lot Program

Upon consummation of the Merger, the Existing Common Stock share certificates ("Existing Certificates") will represent shares of Communications Stock. As soon as practicable following the Effective Time, holders of Existing Common Stock of record as of the Effective Time will be mailed certificates representing shares of Media Stock, and information pursuant to which each holder may, at its option, forward its Existing Certificates to State Street Bank and Trust Company, as exchange agent, for surrender and exchange for certificates representing shares of Communications Stock. In lieu of certificates, enrollees in the U S WEST Shareowner Investment Plan will receive a statement setting forth their holdings of Communications Stock and Media Stock.

On a date as soon as practicable following the mailing to stockholders of certificates representing shares of Media Stock (the "Mailing Date"), the Company will mail to each stockholder who receives fewer than 100 shares of Communications Stock and Media Stock information with respect to, and a form for use in connection with, the Odd-Lot Program. Pursuant to the terms of the Odd-Lot Program, each holder of Existing Common Stock who receives fewer than 100 shares of each of Communications Stock and Media Stock pursuant to the Merger and elects to participate therein may instruct the exchange agent, acting as agent for such shareholder, (i) to sell all, but not less than all, of such stockholder's shares of Communications Stock and/or Media Stock on the NYSE for its account for cash or (ii) to purchase for its account additional shares of Communications Stock and/or Media Stock so as to "round up" such stockholder's holdings to 100 shares of Communications Stock and/or Media Stock.

The Odd-Lot Program will commence shortly after the Mailing Date and remain open for 90 days thereafter. During this period, the exchange agent will periodically offset requests from stockholders who participate in the Odd-Lot Program who wish to sell their odd-lot holdings of Communications Stock and/or Media Stock against requests from other participants who wish to purchase additional shares to "round-up" their odd-lot holdings of Communications Stock and/or Media Stock to 100 shares. The exchange agent will sell or arrange the sale of any shares not taken up in such off-setting process, or purchase any shares needed to satisfy requests for "rounding up" that cannot be satisfied

through such off-setting process, in the open market. A stockholder buying or selling shares of Communications Stock and/or Media Stock under the Odd-Lot Program will pay or receive, as the case may be, the weighted average price for all shares of Communications Stock and/or Media Stock purchased or sold under the Odd-Lot Program in open-market transactions on the day the participant's sale occurs, less a small fee to cover administrative fees and brokerage transactions. In the event, however, that sales and purchases of Communications Stock and/or Media Stock under the Odd-Lot Program are evenly matched for any given processing interval, so that requested "rounding up" purchases are exactly satisfied by requested sales, the price at which shares shall be deemed to be purchased or sold under the Odd-Lot Program will be the average of the high and low sale price for the applicable class of Common Stock on the day on which the participating stockholder's request was offset against that of another participating stockholder, as reported on the Composite Tape. The Company will not solicit or make any recommendations to stockholders to either sell or purchase shares of Common Stock in the Odd-Lot Program. See "— Certain Federal Income Tax Considerations" for a discussion of the federal income tax treatment of the sale of shares in the Odd-Lot Program.

Background and Reasons for the Recapitalization Proposal

The Recapitalization Proposal was adopted by the Board following its review of various alternatives for enhancing shareholder value, creating flexibility for the future growth of the Company and advancing the Company's strategic objectives.

The Company's strategic objective is to become a leading provider of integrated communications, entertainment, information and transaction services to its customers over wired broadband and wireless networks in the Communications Group Region and in other selected domestic and foreign markets worldwide. Implementation of this strategy will require, among other things, the upgrade of existing networks as well as acquisitions of selected new networks in domestic and foreign markets in order to create a footprint for the delivery of such services. The Company anticipates that it will have extensive capital requirements for such upgrades and acquisitions. For a discussion of the strategies of the Communications Group and the Media Group, see "Annex VI — Communications Group — Description of Business — Communications Group Strategy" and "Annex VII — Media Group — Description of Business — Media Group Strategy," respectively.

At a meeting held on February 3, 1995, the Board, after receiving a preliminary report from management on its analysis of capital restructuring alternatives, formed a special committee (the "Special Committee") to facilitate the review of the Recapitalization Proposal as well as various alternative proposals. The Special Committee met on February 9, 1995, March 8, 1995 and March 20, 1995, together with the Company's financial advisors, Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated, and its legal advisors, to evaluate the alternatives available to the Company in view of the Company's strategic objectives and capital requirements. These alternatives included (i) the preservation of the Company's current capital structure, (ii) an exchange offer pursuant to which a new series of dividend-paying preferred stock would be offered in exchange for a portion of the Existing Common Stock, with the Board eliminating the payment of a dividend on the remaining Existing Common Stock, (iii) the segmentation of the businesses of the Communication Group and the Media Group through a distribution of all or a portion of those businesses in a spin-off to shareholders and (iv) the creation of two classes of common stock intended to reflect separately the businesses of the Communications Group and the Media Group.

At meetings held on March 27, 1995, April 6 and 7, 1995 and May 5, 1995, the Board reviewed these alternatives and, with the assistance of its financial and legal advisors, considered the following factors in arriving at its determination that the Recapitalization Proposal is in the best interests of the Company and its shareholders:

- The Company's current capital requirements for the upgrade of its networks and future acquisitions and the limitations of its existing capital structure to finance such capital requirements.

- The Company's long-term strategic objectives to become a leading provider of integrated communications, entertainment, information and transaction services in view of the changing business environment and opportunities for the Company's regulated local exchange operations and multimedia operations.
- The Existing Common Stock trades at a discount to its theoretical public market trading value (the estimated stand-alone public trading value of the component businesses that comprise the Company), primarily due to the relatively low value that dividend yield and income oriented investors attribute to the businesses that comprise the Media Group.
- The use by other companies of equity securities intended to reflect separately the performance of specific businesses and the market performance of such securities.
- Corporate governance issues, such as the Board's fiduciary obligation to holders of different classes of capital stock, particularly in view of the convergence of the telecommunications, cable and wireless industries and the changing regulatory environment.
- The Company's strategic flexibility after implementation of the Recapitalization Proposal, including the ability to engage in mergers, acquisitions, divestitures, spin-offs, split-offs and recombinations.
- The ability to separate the Company's businesses into two distinct groups under the Recapitalization Proposal.

Following deliberation over and consideration of the advantages and disadvantages of the various alternatives, the Board determined that the Recapitalization Proposal was the best alternative for the Company and its shareholders. The Board determined that neither the preservation of the Company's current capital structure nor an exchange offer for a dividend-paying preferred stock would result in investors properly valuing the businesses of the Communications Group and the Media Group. Moreover, the Board determined that the issuance of preferred stock in an exchange offer would restrict the financial flexibility of the Company and therefore its borrowing costs, which could result in a downgrade of the Company's credit rating and an increase in its borrowing costs. In addition, the Board determined that a spin-off of certain assets of the Company to shareholders would not enable the Company to retain the advantages of conducting business as a single corporation and would also significantly increase the borrowing costs of the spun-off entity.

The Board identified the following as the principal advantages of the Recapitalization Proposal:

- The creation of two classes of common stock intended to reflect separately the performance of the Communications Group and the Media Group should increase shareholder value. The Recapitalization Proposal creates investment vehicles that meet the requirements of distinct investor groups — those looking for yield and income of a relatively more mature business, in the case of the Communications Stock, and those looking for the growth potential of less mature businesses, in the case of Media Stock — which should encourage proper valuation of the assets in each of the Groups.
- The Media Stock should provide the Company with an additional equity security that can be used to raise capital and can be issued in connection with acquisitions and investments. Because the Board does not expect to declare a dividend on the Media Stock for the foreseeable future, any issuance of such stock, in connection with an acquisition or otherwise, would not reduce cash flow that would otherwise be available for capital investments. In addition, the Company should be able to reduce its cost of capital because of the improved equity valuation that should result from the implementation of the Recapitalization Proposal.
- The Recapitalization Proposal will retain for the Company the advantages of doing business as a single company. As part of a single entity, each Group would be in a position to benefit from synergies with the other, including synergies that may result from the eventual convergence of the telecommunications, cable and wireless industries as well as synergies between access providers and information and content suppliers. In addition, by remaining a single

entity, the Company will continue to enjoy certain strategic, financial and operational benefits that would not be available if the Communications Group and Media Group were separate legal entities.

In addition, the Board considered the following other advantages of the Recapitalization Proposal:

- Implementation of the Recapitalization Proposal should not be taxable to the Company or its shareholders.
- The Recapitalization Proposal retains future restructuring flexibility by preserving the Company's ability to undertake future capital restructuring and asset segmentation as well as to modify the Company's capital structure.
- The creation of two classes of stock that are intended to reflect separately distinct businesses increases the Company's ability to focus the management of the respective Groups and provide incentives for employees of each Group that are tied directly to the stock price performance of the Group in which they are employed.
- The implementation of the Recapitalization Proposal is not expected to have any adverse impact on the Company's credit rating and cost of borrowing.

The Board also considered the following potential adverse consequences of the Recapitalization Proposal:

- The confusion which could result from a more complex capital structure may inhibit the efficient valuation of either or both classes of Common Stock.
- The risks associated with an investment in a single company and all of the Company's businesses, assets and liabilities to which holders of Communications Stock and Media Stock will continue to be subject. See "Risk Factors — Stockholders of One Company; Financial Impacts on One Group Could Affect the Other."
- The potential diverging interests of the two Groups and the issues that could arise in resolving such conflicts. See " — Certain Management Policies" and "Risk Factors — Potential Diverging Interests."
- The potential negative effects of using Media Stock in connection with an acquisition, such as the limitation on using the pooling method of accounting for, and the possible inability or increased difficulty of receiving a ruling from the Service in connection with the structuring of, an acquisition using an equity security intended to reflect separately the performance of specific businesses.

The Board determined, however, that, on balance, the positive aspects of the Recapitalization Proposal outweighed any potentially adverse consequences and concluded that the Recapitalization Proposal is in the best interests on the Company and its shareholders.

Finally, the Board considered that, by reincorporating in Delaware, the Company will be able to benefit from Delaware's comprehensive and well developed corporate laws. For many years Delaware has followed a policy of encouraging incorporation in that state. In furtherance of that policy, Delaware has adopted a modern and comprehensive corporation statute that has been periodically updated and revised to meet changing business needs. As a result, many publicly held corporations have initially chosen Delaware for their domicile or have subsequently reincorporated in Delaware in a manner similar to that proposed by the Company. Because of Delaware's historic significance as the state of incorporation for many publicly held corporations, the Delaware judiciary has become particularly familiar with matters of corporate law and corporate financial and business transactions and a substantial body of court decisions has developed construing Delaware corporate law and establishing public policy with respect to Delaware corporations. As a consequence, a greater measure of predictability is possible in Delaware with respect to corporate legal affairs than is available in other states. While the Company has not been impeded in operating its business, and while the creation of separate

classes of common stock would be permitted, under Colorado law, the Company believes that Delaware law will offer clearer guidance with respect to issues that may arise as a result of the existence of separate classes of Common Stock of the Company. The reincorporation of the Company in Delaware will not result in any change in the business, management, board of directors, assets, liabilities or net worth of the Company, and the business of the Company will continue to be managed from its corporate headquarters in Englewood, Colorado.

Certain Management Policies

In connection with the Recapitalization Proposal, the Company intends to follow certain policies with respect to the businesses of the Communications Group and the Media Group, including the following:

Inter-Group Business Transactions. Because of the nature of the businesses of the Communications Group and the Media Group, business transactions between the two Groups will take place on a regular basis. Such transactions may include (i) agreements by one Group to provide certain products and services for use by the other Group, including for use over the other Group's networks, (ii) technology transfers and sharing agreements between the two Groups, (iii) transfers of assets between the Groups and (iv) joint venture agreements between the two Groups to develop new products and services for use by the businesses of both Groups. Except as described below and subject to the interests of the Company as a whole, all transactions between the Communications Group and the Media Group are intended, to the extent practicable, to be on terms consistent with those that would be applicable to arm's-length dealings, taking into account a number of factors, including quality, availability and pricing.

Notwithstanding the policy that all transactions between the Communications Group and the Media Group be consistent with arm's-length terms, transactions between U S WEST Communications and the Media Group are subject to certain FCC affiliate transaction accounting rules. Pursuant to such rules, transactions involving the provision of goods and services between the Media Group and U S WEST Communications must be recorded on U S WEST Communications' regulated books, which are used by the PUCs to determine rates, at tariffed rates, prevailing company price or fully distributed cost. In addition, such rules require that assets transferred must be recorded at either net book value or fair market value.

U S WEST Communications currently provides and, following the implementation of the Recapitalization Proposal, will continue to provide certain customer lists and billing and collection and other services to U S WEST Marketing Resources Group, Inc. ("Marketing Resources"), a business to be included in the Media Group, for use in the directory publications and other businesses of Marketing Resources. Such data and services (other than billing and collection services) are provided to Marketing Resources on the same terms and conditions on which such data and services are provided to unaffiliated third parties. Marketing Resources provides certain services to U S WEST Communications, including the publication and delivery of directories with listings of U S WEST Communications' customers, at no charge to U S WEST Communications. Marketing Resources believes that any incremental cost incurred to publish and deliver white page directories which include listings of U S WEST Communications' customers is offset by the enhancement in value to its directories provided by such listings.

Transactions involving the transfer of technology between the Communications Group and the Media Group are subject to the Company's Technology Fair Compensation Policy. Pursuant to this policy, if one Group funds the research and development of technology (whether within the Company or not), such Group shall receive fair compensation if the other Group either uses the technology or sells the technology to a third party. Fair compensation will be determined by representatives of the two Groups and will be reviewed for reasonableness by the Fair Compensation Review Committee, which is comprised of an equal number of representatives of the businesses of the Communications Group and the Media Group.

Inter-Group Financing Transactions. The Company does not intend to transfer funds between the Groups, except for certain short-term ordinary course advances of funds at market

rates associated with the Company's centralized cash management. The Board may, however, in its sole discretion, determine to transfer funds between Groups either as a loan, which would be made on an arm's-length basis, or as an equity contribution. See "— Future Inter-Group Interest." Any such determination to transfer funds between Groups would be made by the Board or at the direction of the Board in the exercise of its business judgment based upon all relevant circumstances, including the financing and investing needs and objectives of each Group, the availability, cost and time associated with alternative financing sources, investment opportunities, prevailing interest rates and general economic conditions. No loans will be made by the regulated businesses of the Communications Group to the Media Group. See "— Accounting Matters and Policies — Financing Activities."

Corporate Opportunities. To the extent a business opportunity arises which could be undertaken by either Group, the opportunity will be allocated by the Board in its good faith business judgment or in accordance with procedures adopted by the Board from time to time to ensure that decisions will be made in the best interests of the Company and its stockholders. Any such allocation may involve the consideration of a number of factors, including whether the business opportunity is principally within the existing scope of a Group's business, whether the business opportunity is principally within a geographic area served by a Group and whether a Group, because of its managerial or operational expertise, would be better positioned to undertake the business opportunity.

In certain situations, existing contractual restrictions will require the allocation of certain business opportunities to a specific Group. For example, pursuant to an agreement between the Company and AirTouch, subject to certain exceptions, the Company may generally only offer wireless services through the Company's joint venture with AirTouch, which will be included in the Media Group, except that such agreement permits the Communications Group to offer certain limited wireless services in the Communications Group Region within specified PCS frequencies. In addition, pursuant to the TWE partnership agreement, the Company, subject to certain exceptions, may only engage in programming, filmed entertainment and out-of-region cable through TWE, which will be included in the Media Group. See "Annex VI — Communications Group — Description of Business" and "Annex VII — Media Group — Description of Business."

These policies may be modified or rescinded without the approval of the stockholders, although the Company has no present intention to do so. Any determination by the Board to modify or rescind such policies, or to adopt additional policies, including any such determination that would have disparate impacts upon the respective holders of Communications Stock and Media Stock, would be made by the Board in its good faith business judgment of the Company's best interests. Circumstances resulting in such a modification, rescission or additional policies may include the development of new products, the entering into of new businesses or ventures, renegotiations of existing ventures or changes in the competitive environment. In making such determination, the Board may also consider regulatory requirements, including those imposed on U S WEST Communications by the PUCs and the FCC. See "Risk Factors — Potential Diverging Interests."

Accounting Matters and Policies

If the Recapitalization Proposal is approved by shareholders and implemented by the Board, the Company will prepare financial statements in accordance with generally accepted accounting principles, consistently applied, for each of the Groups, and these financial statements, taken together, will comprise all of the accounts included in the corresponding consolidated financial statements of the Company. The financial statements of each of the Groups will principally reflect the financial position, results of operations and cash flows of the businesses included therein. Consistent with the Restated Certificate and relevant policies, the Media Group's financial statements also include allocated portions of the Company's corporate assets and liabilities (including contingent liabilities) that are not separately identified with the operations of the Communications Group.

U S WEST Communications, the principal subsidiary of the Communications Group, is subject to regulation by the PUCs and the FCC and has historically been operated as a separate business unit for which separate audited financial statements have been prepared on an annual basis. U S WEST Communications has also conducted its own borrowing activities, and none of the other debt of the Company and its subsidiaries is for the benefit of or attributable to U S WEST Communications. Financing activities for the businesses included in the Media Group and the businesses of the Communications Group other than U S WEST Communications (the "Non-Regulated Communications Businesses") have historically been conducted independently from the financing activities of U S WEST Communications. Accordingly, many of the accounting and management policies described below have historically been employed by the Company in managing the businesses conducted by the two Groups, particularly in light of the regulation of U S WEST Communications by the PUCs and the FCC.

Notwithstanding any allocation of assets or liabilities for dividend purposes or the purpose of preparing Group financial statements, holders of Communications Stock or Media Stock will continue to be subject to risks associated with an investment in a single company and all of the Company's businesses, assets and liabilities. See "Risk Factors — Stockholders of One Company; Financial Impacts on One Group Could Affect the Other."

If the Recapitalization Proposal is approved by the shareholders and implemented by the Board, upon the Effective Time, cash management, tax sharing and allocation of principal corporate activities between the Communications Group and the Media Group would be based upon policies that management of the Company believes to be reasonable. These policies are reflected in the combined financial statements included in Annexes VI and VII hereto, as follows:

Financing Activities. Financing activities for the Communications Group and the Media Group, including the investment of surplus cash, the issuance, repayment and repurchase of short-term and long-term debt, and the issuance and repurchase of preferred stock, will be managed by the Company on a centralized basis. Notwithstanding such centralized management, financing activities for U S WEST Communications will be separately identified and accounted for in the Company's records and U S WEST Communications will continue to conduct its own borrowing activities. All debt incurred and investments made by the Company and its subsidiaries would be specifically allocated to and reflected on the financial statements of the Media Group except that debt incurred and investments made by the Company and its subsidiaries on behalf of the Non-Regulated Communications Businesses and all debt incurred and investments made by U S WEST Communications would be specifically allocated to and reflected on the financial statements of the Communications Group. Debt incurred by the Company or a subsidiary on behalf of a Group would be charged to such Group at the borrowing rate of the Company or such subsidiary.

The Company does not intend to transfer funds between the Groups, except for certain short-term ordinary course advances of funds at market rates associated with the Company's centralized cash management. Such short-term transfers of funds will be accounted for as short-term loans between the Groups bearing interest at the market rate at which management determines the borrowing Group could obtain funds on a short-term basis. If the Board, in its sole discretion, determines that a transfer of funds between the Groups should be accounted for as a long-term loan, the Board would establish the terms on which such loan would be made, including the interest rate, amortization schedule, maturity and redemption terms. Such terms would generally reflect the then prevailing terms upon which management determines such Group could borrow funds on a similar basis. The financial statements of the lending Group will be credited, and the financial statements of the borrowing Group will be charged, with the amount of any such loan, as well as with periodic interest accruing thereon. The Board may determine that a transfer of funds from the Communications Group to the Media Group should be accounted for as an equity contribution, in which case an Inter-Group Interest (determined by the Board based on the then current Market Value of shares of Media Stock) will either be created or increased, as

applicable. Similarly, if an Inter-Group Interest exists, the Board may determine that a transfer of funds from the Media Group to the Communications Group should be accounted for as a reduction in the Inter-Group Interest. See “— Future Inter-Group Interest.”

Equity Issuances. All financial impacts of issuances of additional shares of Communications Stock and of securities convertible into Communications Stock and, if and to the extent the Communications Group holds an Inter-Group Interest in the Media Group, of additional shares of Media Stock which are attributed to the Communications Group, will be reflected in their entirety in the financial statements of the Communications Group. All financial impacts of issuances of additional shares of Media Stock and of securities convertible into Media Stock, the proceeds of which are attributed to the Media Group, will be reflected in their entirety in the financial statements of the Media Group. See “— Future Inter-Group Interest.”

Taxes. Federal, state and local income taxes which are determined on a consolidated or combined basis will be allocated to each Group in accordance with tax sharing agreements between the Company and the entities within the Groups. Consolidated or combined state income tax provisions and related tax payments or refunds will be allocated between the Groups based on their respective contributions to consolidated or combined state taxable incomes. Consolidated federal income tax provisions and related tax payments or refunds will be allocated between the Groups based on the aggregate of the taxes allocated among the entities within each Group. The allocations will generally reflect each Group's contribution (positive or negative) to consolidated Federal taxable income and consolidated federal tax credits. A Group will be compensated only at such time as, and to the extent that, its tax attributes are utilized by the Company in a combined or consolidated income tax filing. Federal and state tax refunds and carryforwards or carrybacks of tax attributes will generally be allocated to the Group to which such tax attributes relate. The Media Group includes entities which operate in states where the Company does not file consolidated or combined state income tax returns. Separate state income tax returns are filed by these entities in accordance with the respective states' laws and regulations.

Administrative Costs. Certain costs relating to the Company's general and administrative services (including certain executive management, legal, accounting and auditing, tax, treasury, strategic planning and public policy services) would be directly assigned to each Group based upon actual utilization or allocated based upon each Group's operating expenses, number of employees, external revenues, average capital and/or average equity. The Company will charge each Group for such services at fully distributed cost.

The above policies and agreements could be modified or rescinded by the Board, in its sole discretion, without approval of stockholders, although there is no present intention to do so. The Board could also adopt additional policies depending upon the circumstances. Any determination of the Board to modify or rescind such policies, to adopt additional policies, including any such decision that could have disparate effects upon holders of a class of common stock of the Company, would be made by the Board based on its good faith business judgment that such decision is in the best interests of the Company and all the Company's stockholders. In making such determination, the Board may also consider regulatory requirements, including those imposed on U S WEST Communications by the PUCs and the FCC. See “— Certain Management Policies.” In addition, generally accepted accounting principles require that changes in accounting policy must be preferable (in accordance with such principles) to the policy previously in place.

Dividend Policy

The Company's quarterly dividend rate is presently \$0.535 per share of Existing Common Stock. The Board currently intends that the dividend policy applicable to the Communications Stock would be the same as the dividend policy applicable to the Existing Common Stock, with the initial dividend rate on the Communications Stock being the rate in effect for the Existing Common Stock at the time

of conversion of the Existing Common Stock into Communications Stock and Media Stock. The Board believes that implementation of the Recapitalization Proposal would not adversely affect the Company's ability to pay dividends on the Communications Stock.

While the Board does not currently intend to change the dividend policies referred to above, it reserves the right to do so at any time and from time to time. Under the Recapitalization Proposal and Delaware law, the Board would not be required to pay dividends in accordance with the foregoing dividend policies.

Determinations as to future dividends on the Communications Stock would be based primarily upon the financial condition, results of operations and business requirements of the Communications Group and the Company as a whole. Under the terms of the Communications Stock, dividends would be payable in the sole discretion of the Board out of the lesser of (i) funds of the Company legally available for dividends and (ii) the Communications Group Available Dividend Amount. See "— Description of Communications Stock and Media Stock — Dividends."

With regard to the Media Stock, the Board currently intends to retain future earnings, if any, for the development of its multimedia businesses and does not anticipate paying cash dividends on the Media Stock in the foreseeable future. Future determinations by the Board to pay dividends on the Media Stock would be based primarily upon the respective financial condition, results of operations and business requirements of the Media Group and the Company as a whole. Under the terms of the Media Stock, dividends, if any, would be payable in the sole discretion of the Board out of the lesser of (i) the funds of the Company legally available therefor and (ii) the Media Group Available Dividend Amount. See "— Description of Communications Stock and Media Stock — Dividends."

Subject to the restrictions on the funds out of which dividends on the Communications Stock and the Media Stock may be paid, as described under "— Description of Communications Stock and Media Stock — Dividends," the Board would be able, in its sole discretion, to declare and pay dividends exclusively on either the Communications Stock or the Media Stock, or on both, in equal or unequal amounts, notwithstanding the relative amounts of the Communications Group Available Dividend Amount and the Media Group Available Dividend Amount, the amount of prior dividends declared on each class, the respective voting or liquidation rights of each class or any other factor.

Description of Communications Stock and Media Stock

THE FOLLOWING DESCRIPTION IS QUALIFIED BY REFERENCE TO "GLOSSARY OF DEFINED TERMS" AND TO ANNEX II TO THIS PROXY STATEMENT, WHICH CONTAINS THE FULL TEXT OF THE PROPOSED RESTATED CERTIFICATE.

General

The Articles currently provide that the Company is authorized to issue 2,050,000,000 shares of capital stock, including 50,000,000 shares of preferred stock, par value \$1.00 per share ("Existing Preferred Stock"), and 2,000,000,000 shares of Existing Common Stock. The Existing Preferred Stock consists of 2,000,000 shares designated as Series A Junior Participating Cumulative Preferred Stock ("Existing Series A Preferred Stock") and 50,000 shares designated as Existing Series B Preferred Stock. As of May 10, 1995, the Company had issued and outstanding 470,564,209 shares of Existing Common Stock, no shares of Existing Series A Preferred Stock and 50,000 shares of Existing Series B Preferred Stock. If the Recapitalization Proposal is adopted, pursuant to the Restated Certificate, the Company will be authorized to issue 4,200,000,000 shares of capital stock, including (i) 2,000,000,000 shares of Communications Stock, (ii) 2,000,000,000 shares of Media Stock and (iii) 200,000,000 shares of Preferred Stock, par value \$1.00 per share ("Preferred Stock"), of which 10,000,000 shares would be designated as Series A Junior Participating Cumulative Preferred Stock, par value \$1.00 per share ("Series A Preferred Stock"), 10,000,000 shares would be designated as Series B Junior Participating Cumulative Preferred Stock, par value \$1.00 per share ("Series B Preferred Stock"), and 50,000 shares would be designated as Series C Preferred Stock.

The authorized but unissued shares of Communications Stock, Media Stock and Preferred Stock will be available for issuance by the Company from time to time, as determined by the Board, for any proper corporate purpose, which could include raising capital for use by either Group, payment of dividends, providing compensation or benefits to employees or acquiring other companies or businesses. The issuance of such shares would not be subject to approval by the stockholders of the Company unless deemed advisable by the Board or required by applicable law, regulation or stock exchange listing requirements.

Dividends

Dividends on the Communications Stock and the Media Stock will be subject to substantially the same limitations as dividends on the Existing Common Stock, which are limited to legally available funds of the Company under applicable law and subject to the prior payment of dividends on outstanding shares of Preferred Stock. See “— Comparison of Shareholder Rights — Dividends.”

Dividends on the Communications Stock and the Media Stock will further be limited to an amount not in excess of the Communications Group Available Dividend Amount and the Media Group Available Dividend Amount, respectively. The Available Dividend Amount with respect to a Group is intended to be similar to the amount that would be legally available for the payment of dividends on the stock of such Group under Delaware law if such Group were a separate company. There can be no assurance that there would be an Available Dividend Amount with respect to either Group.

The “Communications Group Available Dividend Amount,” on any date, shall mean the excess, if any, of (i) the amount equal to the fair market value of the total assets attributed to the Communications Group less the total amount of the liabilities attributed to the Communications Group (provided that preferred stock shall not be treated as a liability), in each case as of such date and determined on a basis consistent with that applied in determining the Communications Group Net Earnings (Loss) over (ii) the aggregate par value of, or any greater amount determined to be capital in respect of, all outstanding shares of Communications Stock and each class or series of Preferred Stock attributed to the Communications Group.

The “Media Group Available Dividend Amount,” on any date, shall mean the excess, if any, of (i) the product of (x) the Outstanding Media Fraction as of such date multiplied by (y) an amount equal to the fair market value of the total assets attributed to the Media Group less the total amount of the liabilities attributed to the Media Group (provided that preferred stock shall not be treated as a liability), in each case as of such date and determined on a basis consistent with that applied in determining the Media Group Net Earnings (Loss) over (ii) the aggregate par value of, or any greater amount determined to be capital in respect of, all outstanding shares of Media Stock and each class or series of Preferred Stock attributed to the Media Group. As used herein, “Available Dividend Amount” refers to the Communications Group Available Dividend Amount and/or the Media Group Available Dividend Amount, as the context requires.

“Communications Group Net Earnings (Loss),” for any period through any date, shall mean the net income or loss of the Communications Group for such period (or in respect of fiscal periods of the Company commencing prior to the Effective Time, the pro forma net income or loss of the Communications Group for such period as if the Effective Time had been the first day of such period) determined in accordance with generally accepted accounting principles in effect at such time, reflecting income and expense of the Company attributed to the Communications Group on a basis substantially consistent with attributions of income and expense made in the calculation of Media Group Net Earnings (Loss), including, without limitation, corporate administrative costs, net interest and other financial costs and income taxes.

“Media Group Net Earnings (Loss),” for any period through any date, shall mean the net income or loss of the Media Group for such period (or in respect of the fiscal periods of the Company commencing prior to the Effective Time, the pro forma net income or loss of the Media Group for such period as if the Effective Time had been the first day of such period) determined in accordance with

generally accepted accounting principles in effect at such time, reflecting income and expense of the Company attributed to the Media Group on a basis substantially consistent with attributions of income and expense made in the calculation of the Communications Group Net Earnings (Loss), including, without limitation, corporate administrative costs, net interest and other financial costs and income taxes.

At June 30, 1995, based on their respective financial statements, the funds of the Company legally available for the payment of dividends under Delaware law would have been at least \$7.669 billion, the Communications Group Available Dividend Amount would have been at least \$3.186 billion and the Media Group Available Dividend Amount would have been at least \$4.483 billion.

Delaware law limits the amount of distributions on capital stock to the legally available funds of the Company, which are determined on the basis of the entire Company, and not just the respective Groups. Consequently, the amount of legally available funds would reflect the amount of any net losses of any Group and any distributions on, and repurchases of, Communications Stock, Media Stock or Preferred Stock. Dividend payments on the Communications Stock or on the Media Stock could be precluded because of the unavailability of legally available funds under Delaware law, even though the Available Dividend Amount test with respect to the relevant Group was met.

Subject to the prior payment of dividends on outstanding shares of Preferred Stock and the foregoing limitations, the Board could, in its sole discretion, declare and pay dividends exclusively on Communications Stock, exclusively on Media Stock or on both such classes, in equal or unequal amounts, notwithstanding the relative amounts of the Communications Group Available Dividend Amount and the Media Group Available Dividend Amount, the amount of prior dividends declared on each class, the respective voting or liquidation rights of each class or any other factor.

At the time of any dividend or other distribution on the outstanding shares of Media Stock (including any dividend of Net Proceeds from the Disposition of all or substantially all of the properties and assets attributed to the Media Group), the Communications Group's financial statements would be credited with, and the Media Group's financial statements would be charged with, an amount equal to the product of (i) the Fair Value of such dividend or distribution paid or distributed in respect of the outstanding shares of Media Stock multiplied by (ii) a fraction, the numerator of which is the Inter-Group Interest Fraction on the record date for such dividend or distribution and the denominator of which is the Outstanding Media Fraction on the record date for such dividend or distribution.

For the definition of "Fair Value," see Glossary of Defined Terms. See Annex VIII for illustrations of the calculation of the Inter-Group Interest and the related effects of dividends on shares of Media Stock.

Conversion and Redemption

The Articles currently do not provide for either mandatory or optional conversion or redemption of the Existing Common Stock. The Recapitalization Proposal will permit the conversion and redemption of the Communications Stock and the Media Stock upon the terms described below.

For the definitions of "Market Capitalization," "Market Value," "Market Value Ratio of the Communications Stock to the Media Stock," "Market Value Ratio of the Media Stock to the Communications Stock," and "Publicly Traded," as used below, see Glossary of Defined Terms.

Mandatory Dividend, Redemption or Conversion of Common Stock. Upon the sale, transfer, assignment or other disposition (whether by merger, consolidation, sale or contribution of stock or otherwise), in one transaction or a series of related transactions (a "Disposition"), by the Company of all or substantially all of the properties and assets attributed to any Group to one or more persons or entities (other than (w) the Disposition by the Company of all or substantially all of the Company's properties and assets in one transaction or a series of related transactions in connection with the liquidation, dissolution or winding up of the Company and the distribution of assets to stockholders,

(x) on a pro rata basis to the holders of all outstanding shares of the class of Common Stock relating to such Group and, in the case of a Disposition of the properties and assets attributed to the Media Group, the Company for the benefit of the Communications Group with respect to the Inter-Group Interest, if any, (y) to any person or entity controlled by the Company (as determined by the Board), or (z) in connection with a Related Business Transaction), the Company is required, on or prior to the 85th Trading Day following the consummation of such Disposition, to either:

(1) provided that there are funds of the Company legally available therefor:

(i) subject to the limitations described above in the second paragraph under “— Dividends.” declare and pay a dividend in cash and/or securities (other than Common Stock) or other property to the holders of outstanding shares of the class of Common Stock relating to the Group subject to such Disposition having a Fair Value as of the date of such consummation equal in the aggregate to (A) in the case of a Disposition of the properties and assets attributed to the Communications Group, the Fair Value of the Net Proceeds of such Disposition and (B) in the case of a Disposition of the properties and assets attributed to the Media Group, the product of the Outstanding Media Fraction as of the record date for determining holders entitled to receive such dividend multiplied by the Fair Value of the Net Proceeds of such Disposition; or

(ii) (A) if such Disposition involves all (not merely substantially all) of the properties and assets attributed to such Group, redeem all outstanding shares of Common Stock relating to the Group subject to such Disposition in exchange for cash and/or securities (other than Common Stock) or other property having a Fair Value as of the date of such consummation in the aggregate equal to (I) in the case of a Disposition of the properties and assets attributed to the Communications Group, the Fair Value of the Net Proceeds of such Disposition and (II) in the case of a Disposition of the properties and assets attributed to the Media Group, the product of the Outstanding Media Fraction as of such redemption date multiplied by the Fair Value of the Net Proceeds of such Disposition; or

(B) if such Disposition involves substantially all (but not all) of the properties and assets attributed to such Group, redeem such number of whole shares of the class of Common Stock relating to the Group subject to such Disposition (but in any event not more than the number of shares of such class of Common Stock outstanding) that has an aggregate average Market Value, during the ten-Trading Day period beginning on the 16th Trading Day immediately succeeding such consummation, closest to (I) in the case of a Disposition of the properties and assets attributed to the Communications Group, the Fair Value of the Net Proceeds of such Disposition as of the date of such consummation or (II) in the case of a Disposition of the properties and assets attributed to the Media Group, the product of the Outstanding Media Fraction as of the date such shares are selected for redemption multiplied by the Fair Value of the Net Proceeds of such Disposition as of the date of such consummation, in consideration for cash and/or securities (other than Common Stock) or other property having a Fair Value in the aggregate equal to such Fair Value of the Net Proceeds or such product, as applicable;

provided, however, that the Company may only redeem shares of a class of Common Stock pursuant to this paragraph (ii) if the amount to be paid in redemption of such shares is less than or equal to the sum of, as of the redemption date, (a) the Available Dividend Amount with respect to such class of Common Stock and (b) the amount determined to be capital in respect of such shares in accordance with applicable corporation law; or

(2) convert each outstanding share of the class of Common Stock relating to the Group subject to such Disposition into a number of fully paid and nonassessable shares of the class of Common Stock relating to the other Group (or, if the Common Stock relating to the other Group is not Publicly Traded at such time and shares of another class or series of common stock of the Company (other than the class of Common Stock relating to the Group subject to such Disposition) are then Publicly Traded, of such other class or series of common stock as has the largest

Market Capitalization as of the close of business on the Trading Day immediately preceding the date of the notice of such conversion mailed to holders), equal to 110% of the ratio (calculated to the nearest five decimal places) of the average Market Value of one share of Common Stock relating to the Group subject to such Disposition to the average Market Value of one share of Common Stock relating to the other Group (or such other class or series of Common Stock, as the case may be), during the ten-Trading Day period beginning on the 16th Trading Day following such consummation.

The Board may, within one year after a dividend or redemption described above in this section, convert each outstanding share of the class of Common Stock relating to the Group subject to such Disposition into a number of fully paid and nonassessable shares of the class of Common Stock relating to the other Group (or, if the Common Stock relating to the other Group is not Publicly Traded at such time and shares of another class or series of common stock of the Company (other than the class of Common Stock relating to the Group subject to such Disposition) are then Publicly Traded, of such other class or series of common stock as has the largest Market Capitalization as of the close of business on the Trading Day immediately preceding the date of the notice of such conversion mailed to holders) equal to 110% of the Market Value Ratio of the Communications Stock to the Media Stock or the Market Value Ratio of the Media Stock to the Communications Stock, as the case may be, as of the fifth Trading Day prior to the date notice of such conversion is mailed to such holders. Any such exchange would dilute the interest in the Company of holders of the class of Common Stock relating to the Group not subject to Disposition and would preclude holders of either class of Common Stock from retaining their investment in a security reflecting separately the business of their respective Group. In determining whether to effect any such conversion following such a dividend or partial redemption, the Board, in its sole discretion and consistent with its fiduciary duties to all the stockholders, in addition to other matters, would likely consider whether the remaining properties and assets attributed to the Group subject to the Disposition continue to constitute a viable business. Other considerations could include the number of shares of the class of Common Stock relating to such Group remaining issued and outstanding, the per share market price of such Common Stock and the cost of maintaining stockholder accounts.

For these purposes, "substantially all of the properties and assets" attributed to any Group means a portion of such properties and assets that represents at least 80% of the then Fair Value of the properties and assets attributed to such Group.

A "Related Business Transaction" means any disposition of all or substantially all of the properties and assets attributed to any Group in a transaction or series of related transactions that result in the Company receiving in consideration of such properties and assets primarily equity securities (including, without limitation, capital stock, debt securities convertible into or exchangeable for equity securities or interests in a general or limited partnership or limited liability company, without regard to the voting power or other management or governance rights associated therewith) of any entity which (i) acquires such properties or assets or succeeds (by merger, formation of a joint venture or otherwise) to the business conducted with such properties or assets or controls such acquiror or successor and (ii) is primarily engaged or proposes to engage primarily in one or more businesses similar or complementary to the businesses conducted by such Group prior to such Disposition, as determined by the Board. The purpose of the Related Business Transaction exception is to enable the Company to technically "dispose" of properties or assets of a Group to other entities engaged or proposing to engage in businesses similar or complementary to those of such Group without resulting in a dividend on, or a conversion or redemption of, the class of Common Stock of such Group.

The "Net Proceeds" of a Disposition of any of the properties and assets attributed to any Group means, as of any date, an amount, if any, equal to what remains of the gross proceeds of such Disposition after any payment of, or reasonable provision for, (a) any taxes payable by the Company in respect of such Disposition or in respect of any resulting dividend or redemption (or which would have been payable but for the utilization of tax benefits attributable to the other Group), (b) any transaction costs, including, without limitation, any legal, investment banking and accounting fees and

expenses and (c) any liabilities (contingent or otherwise) attributed to such Group, including, without limitation, any liabilities for deferred taxes or any indemnity or guarantee obligations of the Company incurred in connection with the Disposition or otherwise and any liabilities for future purchase price adjustments and any preferential amounts plus any accumulated and unpaid dividends in respect of the Preferred Stock attributed to such Group. The Company may elect to pay the dividend or redemption price referred to in clause (i) or (ii) above either in the same form as the proceeds of the Disposition were received or in any other combination of cash or securities or other property that the Board determines will have an aggregate market value of not less than the amount of the Fair Value of the Net Proceeds.

At the time of any dividend made as a result of a Disposition of the properties and assets attributed to the Media Group, the financial statements of the Communications Group will be credited, and the financial statements of the Media Group will be charged, with an amount equal to the product of (i) the Fair Value of such dividend multiplied by (ii) a fraction, the numerator of which is the Inter-Group Interest Fraction on the record date for such dividend and the denominator of which is the Outstanding Media Fraction on the record date for such dividend.

Conversion at Option of the Company. At any time following the ninth anniversary of the Effective Time, the Board may convert each outstanding share of Communications Stock into a number of fully paid and nonassessable shares of Media Stock (or, if Media Stock is not Publicly Traded at such time and shares of another class or series of common stock of the Company (other than Communications Stock) are then Publicly Traded, of such other class or series of common stock as has the largest Market Capitalization as of the close of business on the Trading Day immediately preceding the date of the notice of such conversion mailed to holders), equal to 100% of the Market Value Ratio of the Communications Stock to the Media Stock as of the fifth Trading Day prior to the date notice of such conversion is mailed to such holders.

The Board may at any time convert each outstanding share of Media Stock into a number of fully paid and nonassessable shares of Communications Stock (or, if Communications Stock is not Publicly Traded at such time and shares of another class or series of common stock of the Company (other than Media Stock) are then Publicly Traded, of such other class or series of common stock as has the largest Market Capitalization as of the close of business on the Trading Day immediately preceding the date of the notice of such conversion mailed to holders), equal to the applicable percentage set forth below, on the conversion date, of the Market Value Ratio of the Media Stock to the Communications Stock as of the fifth Trading Day prior to the date of notice of such conversion:

<u>12 Month Period Prior to Anniversary of Effective Time</u>	<u>Percentage of Market Value Ratio</u>
First through Fifth	115%
Sixth	112%
Seventh	109%
Eighth	106%
Ninth	103%
thereafter	100%

Redemption in Exchange for Stock of Subsidiary. At any time at which all of the assets and liabilities attributed to the Communications Group (and no other assets or liabilities of the Company or any subsidiary thereof) are held directly or indirectly by one or more wholly-owned subsidiaries of the Company (the "Communications Group Subsidiaries"), the Board may, provided that there are funds of the Company legally available therefor, redeem all of the outstanding shares of Communications Stock for all of the outstanding shares of the common stock of the Communications Group Subsidiaries, on a pro rata basis.

At any time at which all of the assets and liabilities attributed to the Media Group (and no other assets or liabilities of the Company or any subsidiary thereof) are held directly or indirectly by one or more wholly-owned subsidiaries of the Company (the "Media Group Subsidiaries"), the Board may,

provided that there are funds of the Company legally available therefor, redeem all of the outstanding shares of Media Stock for a number of outstanding shares of common stock of the Media Group Subsidiaries equal to the product of the Outstanding Media Fraction multiplied by the number of all of the outstanding shares of the Media Group Subsidiaries, on a pro rata basis. The Company will retain the balance of the outstanding shares of the common stock of the Media Group Subsidiaries in lieu of the Inter-Group Interest of the Communications Group in the Media Group, if any.

Effects on Convertible Securities. The following provisions with respect to Convertible Securities only apply to the extent that the terms of such Convertible Securities do not provide for adjustments in the event of a conversion or redemption described above.

After any conversion date or redemption date on which all outstanding shares of any class of Common Stock were converted or redeemed, any share of such class of Common Stock that is to be issued on conversion, exchange or exercise of any Convertible Securities will, immediately upon such conversion, exchange or exercise and without any notice or any other action on the part of, the Company or its Board or the holder of such Convertible Security:

(i) in the event the shares of such class of Common Stock outstanding on such conversion date were converted into shares of the class of Common Stock relating to the other Group (or another class or series of common stock of the Company) pursuant to the provisions described under “— Mandatory Dividend, Redemption or Conversion of Media Stock” or “— Conversion at Option of the Company,” be converted into the amount of cash and/or the number of shares of the kind of capital stock and/or other securities or property of the Company that the number of shares of such class of Common Stock that were to be issued upon such conversion, exchange or exercise would have received had such shares been outstanding on such conversion date; or

(ii) in the event the shares of such class of Common Stock outstanding on such redemption date were redeemed pursuant to the provisions described under “— Mandatory Dividend, Redemption or Conversion of Media Stock” or redeemed for common stock of the Communications Group Subsidiaries or Media Group Subsidiaries, as applicable, pursuant to the provisions described under “— Redemption in Exchange for Stock of Subsidiary,” be redeemed, to the extent of funds of the Company legally available therefor, for \$.01 per share in cash for each share of such class of Common Stock that otherwise would be issued upon such conversion, exchange or exercise.

General Conversion and Redemption Provisions. Not later than the 10th Trading Day following the consummation of a Disposition referred to above under “— Mandatory Dividend, Redemption or Conversion of Common Stock,” the Company will announce publicly by press release (i) the Net Proceeds of such Disposition, (ii) the number of shares outstanding of the class of Common Stock relating to the Group subject to such Disposition, (iii) the number of shares of such Common Stock into or for which Convertible Securities are then convertible, exchangeable or exercisable and the conversion, exchange or exercise price thereof and (iv) in the case of a Disposition of the properties and assets attributed to the Media Group, the Outstanding Media Fraction on the date of such notice. Not earlier than the 26th Trading Day and not later than the 30th Trading Day following the consummation of such Disposition, the Company will announce publicly by press release which of the actions specified in clause (i), (ii) or (iii) of the first paragraph under “— Mandatory Dividend, Redemption or Conversion of Common Stock” it has irrevocably determined to take.

If the Company determines to pay a dividend as described in clause (1)(i) of such paragraph, the Company is required, not later than the 30th Trading Day following the consummation of such Disposition, to cause to be given to each holder of shares of the class of Common Stock relating to the Group subject to such Disposition and to each holder of Convertible Securities convertible into or exchangeable or exercisable for shares of such Common Stock (unless alternate provision for notice to the holders of such Convertible Securities is made pursuant to the terms of such Convertible Securities), a notice setting forth (i) the record date for determining holders entitled to receive such dividend, which shall be not earlier than the 40th Trading Day and not later than the 50th Trading Day following the consummation of such Disposition, (ii) the anticipated payment date of such

dividend (which will not be more than 85 Trading Days following the consummation of such Disposition), (iii) type of property to be paid as such dividend in respect of outstanding shares of such Common Stock, (iv) the Net Proceeds of such Disposition, (v) in the case of a Disposition of properties and assets attributed to the Media Group, the Outstanding Media Fraction on the date of such notice, (vi) the number of outstanding shares of such Common Stock and the number of shares of such Common Stock into or for which outstanding Convertible Securities are then convertible, exchangeable or exercisable and the conversion, exchange or exercise price thereof and (vii) in the case of notice to be given to holders of Convertible Securities, a statement to the effect that a holder of such Convertible Securities will be entitled to receive such dividend only if such holder properly converts, exchanges or exercises them on or prior to the record date referred to in clause (i) of this sentence. Such notice will be sent by first-class mail, postage prepaid, to each such holder at such holder's address as the same appears on the transfer books of the Company.

If the Company determines to undertake a redemption pursuant to clause (1)(ii)(A) of the first paragraph under "— Mandatory Dividend, Redemption or Conversion of Common Stock," the Company is required, not earlier than the 35th Trading Day and not later than the 45th Trading Day prior to the redemption date, to cause to be given to each holder of shares of such class of Common Stock, and to each holder of Convertible Securities convertible into or exchangeable or exercisable for shares of such class of Common Stock (unless alternate provision for such notice to the holders of such Convertible Securities is made pursuant to the terms of such Convertible Securities) a notice setting forth (1) a statement that all shares of such Common Stock outstanding on the redemption date will be redeemed, (2) the redemption date (which will not be more than 85 Trading Days following the consummation of such Disposition), (3) the type of property in which the redemption price for the shares to be redeemed is to be paid, (4) the Net Proceeds of such Disposition, (5) in the case of a Disposition of the properties and assets attributed to the Media Group, the Outstanding Media Fraction on the date of such notice, (6) the place or places where certificates for shares of such Common Stock, properly endorsed or assigned for transfer (unless the Company waives such requirement) are to be surrendered for delivery of cash and/or securities or other property, (7) the number of outstanding shares of such class of Common Stock and the number of shares of such class of Common Stock into or for which outstanding Convertible Securities are then convertible, exchangeable or exercisable and the conversion, exchange or exercise price thereof, (8) in the case of notice to be given to holders of Convertible Securities, a statement to the effect that a holder of such Convertible Securities will be entitled to participate in such redemption only if such holder properly converts, exchanges or exercises such Convertible Securities on or prior to the redemption date referred to in clause (2) of this sentence and a statement as to what, if anything, such holder will be entitled to receive pursuant to the terms of such Convertible Securities or, if applicable, the provisions described under "— Effects on Convertible Securities" if such holder thereafter converts, exchanges or exercises such Convertible Securities and (9) a statement to the effect that, except as otherwise provided below, dividends on such shares of such Common Stock shall cease to be paid as of such redemption date. Such notice will be sent by first-class mail, postage prepaid to each such holder at such holder's address as the same appears on the transfer books of the Company.

If the Company determines to undertake a redemption pursuant to clause (1)(ii) (B) of the first paragraph under "— Mandatory Dividend, Redemption or Conversion of Common Stock," the Company is required, not later than the 30th Trading Day following consummation of the Disposition referred to in such paragraph, to cause to be given to each holder of shares of the class of Common Stock relating to the Group subject to such Disposition, and to each holder of Convertible Securities that are convertible into or exchangeable or exercisable for shares of such Common Stock (unless alternate provision for such notice to the holders of such Convertible Securities is made pursuant to the terms of such Convertible Securities), a notice setting forth (i) a date, not earlier than the 40th Trading Day and not later than the 50th Trading Day following the consummation of such Disposition in respect of which such redemption is to be made, on which shares of such class of Common Stock will be selected for redemption, (ii) the anticipated redemption date (which will not be more than 85 Trading Days following the consummation of such Disposition), (iii) the type of property in which the

redemption price for the shares to be redeemed is to be paid, (iv) the Net Proceeds of such Disposition, (v) in the case of a Disposition of properties and assets attributed to the Media Group, the Outstanding Media Fraction, (vi) the number of outstanding shares of such Common Stock and the number of shares of such Common Stock into or for which outstanding Convertible Securities are then convertible, exchangeable or exercisable and the conversion, exchange or exercise price thereof, (vii) in the case of notice to be given to holders of Convertible Securities, a statement to the effect that a holder of such Convertible Securities will be entitled to participate in such selection for redemption only if such holder properly converts, exchanges or exercises them on or prior to the date referred to in clause (i) of this sentence and a statement as to what, if anything, such holder will be entitled to receive pursuant to the terms of such Convertible Securities or, if applicable, the provisions described under "— Effects on Convertible Securities" if such holder thereafter converts, exchanges or exercises such Convertible Securities and (viii) a statement that the Company will not be required to register a transfer of any shares of such class of Common Stock for a period of 15 Trading Days next preceding the date referred to in clause (i) of this sentence. Promptly, but not earlier than 40 Trading Days nor more than 50 Trading Days following the consummation of such Disposition, the Company is required to cause to be given to each holder of shares of such Common Stock to be so redeemed a notice setting forth (1) the number of shares of such Common Stock held by such holder to be redeemed, (2) a statement that such shares of such Common Stock will be redeemed, (3) the redemption date, (4) the kind and per share amount of cash and/or securities or other property to be received by such holder with respect to each share of such Common Stock to be redeemed, including details as to the calculation thereof, (5) the place or places where certificates for shares of such Common Stock, properly endorsed or assigned for transfer (unless the Company waives such requirement) are to be surrendered for delivery of such cash and/or securities or other property, (6) if applicable, a statement to the effect that the shares being redeemed may no longer be transferred on the transfer books of the Company after the redemption date and (7) a statement to the effect that, except as otherwise provided below, dividends on such shares of such Common Stock will cease to be paid as of such redemption date. Such notices will be sent by first-class mail, postage prepaid to each such holder, at such holder's address as the same appears on the transfer books of the Company.

If less than all of the outstanding shares of such Common Stock are to be redeemed as described above under "— Mandatory Dividend, Redemption or Conversion of Common Stock," such shares will be redeemed by the Company pro rata among the holders of outstanding shares of such Common Stock or by such other method as may be determined by the Board to be equitable.

In the event of any conversion as described above under "— Conversion at Option of the Company" or "— Mandatory Dividend, Redemption or Conversion of Common Stock," the Company will cause to be given to each holder of shares of the class of Common Stock to be so converted and to each holder of Convertible Securities that are convertible into or exchangeable or exercisable for shares of such Common Stock (unless alternate provision for such notice to the holders of such Convertible Securities is made pursuant to the terms of such Convertible Securities), a notice setting forth (i) a statement that all outstanding shares of such Common Stock will be converted, (ii) the conversion date (which, in the case of a conversion after a Disposition, will not be more than 85 Trading Days following the consummation of such Disposition), (iii) the per share number of shares of Communications Stock or Media Stock or another class or series of common stock of the Company, as the case may be, to be received with respect to each share of such Common Stock, including details as to the calculation thereof, (iv) the place or places where certificates for shares of such Common Stock, properly endorsed or assigned for transfer (unless the Company waives such requirement) are to be surrendered for delivery of certificates for shares of such Common Stock, (v) the number of outstanding shares of such Common Stock and the number of shares of such Common Stock into or for which outstanding Convertible Securities are then convertible, exchangeable or exercisable and the conversion, exchange or exercise price thereof, (vi) a statement to the effect that, except as otherwise provided below, dividends on such shares of such Common Stock will cease to be paid as of such conversion date and (vii) in the case of notice to be given to holders of Convertible Securities, a statement to the effect that a holder of such Convertible Securities will be entitled to receive shares of

such Common Stock upon such conversion only if such holder properly converts, exchanges or exercises such Convertible Securities on or prior to the conversion date referred to in clause (ii) of this sentence and a statement as to what, if anything, such holder will be entitled to receive pursuant to the terms of such Convertible Securities or, if applicable, the provision described under “— Effects on Convertible Securities” if such holder thereafter converts, exchanges or exercises such Convertible Securities. Such notice will be sent by first-class mail, postage prepaid, to such holder at such holder’s address as the same appears on the transfer books of the Company.

If the Company determines to redeem shares of a class of Common Stock as described above under “— Redemption in Exchange for Stock of Subsidiary,” the Company will cause to be given to each holder of shares of such Common Stock and to each holder of Convertible Securities convertible into or exchangeable or exercisable for shares of such Common Stock (unless alternate provision for such notice to the holders of such Convertible Securities is made pursuant to the terms of such Convertible Securities), a notice setting forth (i) a statement that all shares of such Common Stock outstanding on the redemption date will be redeemed in exchange for shares of common stock of the Communications Group Subsidiaries or Media Group Subsidiaries, as the case may be, (ii) the redemption date, (iii) if Media Stock is being redeemed, the Outstanding Media Fraction on the date of such notice, (iv) the place or places where certificates for shares of such Common Stock properly endorsed or assigned for transfer (unless the Company waives such requirement) are to be surrendered for delivery of certificates for shares of the Communications Group Subsidiaries or the Media Group Subsidiaries, as the case may be, (v) a statement to the effect that, except as otherwise provided below, dividends on such shares of such Common Stock will cease to be paid as of such redemption date, (vi) the outstanding number of shares of such Common Stock and the number of shares of such Common Stock into or for which outstanding Convertible Securities are then convertible, exchangeable or exercisable and the conversion, exchange or exercise price thereof and (vii) in the case of notice to be given to holders of Convertible Securities, a statement to the effect that a holder of such Convertible Securities will be entitled to receive shares of common stock of the Communications Group Subsidiaries or the Media Group Subsidiaries, as the case may be, only if such holder properly converts, exchanges or exercises such Convertible Securities on or prior to the date referred to in clause (ii) of this sentence and a statement as to what, if anything, such holder will be entitled to receive pursuant to the terms of such Convertible Securities or, if applicable, the provision described under “— Effects on Convertible Securities” if such holder thereafter converts, exchanges or exercises such Convertible Securities. Such notice will be sent by first-class mail, postage prepaid, not less than 30 Trading Days nor more than 45 Trading Days prior to the redemption date, to each such holder at such holder’s address as the same appears on the transfer books of the Company.

Neither the failure to mail any notice described above to any particular holder of shares of any class of Common Stock or of any Convertible Securities nor any defect therein would affect the sufficiency thereof with respect to any other holder of outstanding shares of such Common Stock or of outstanding Convertible Securities, or the validity of any such conversion or redemption.

The Company will not be required to issue or deliver fractional shares of any class of capital stock or any fractional securities to any holder of any class of Common Stock upon any conversion, redemption, dividend or other distribution described above. If more than one share of such Common Stock is held at the same time by the same holder, the Company may aggregate the number of shares of any class of capital stock that is issuable or the amount of securities that is distributable to such holder upon any such conversion, redemption, dividend or other distribution (including any fractions of shares or securities). If the number of shares of any class of capital stock or the amount of securities remaining to be issued or distributed to any holder of such Common Stock is a fraction, the Company will, if such fraction is not issued or distributed to such holder, pay a cash adjustment in respect of such fraction in an amount equal to the Fair Value of such fraction on the fifth Trading Day prior to the date such payment is to be made (without interest).

No adjustments in respect of dividends will be made upon the conversion or redemption of any shares of such Common Stock; provided, however, that if such shares are converted or redeemed by

the Company after the record date for determining holders of such Common Stock entitled to any dividend or distribution thereon, such dividend or distribution will be payable to the holders of such shares at the close of business on such record date notwithstanding such conversion or redemption, in each case without interest.

Before any holder of Communications Stock or Media Stock will be entitled to receive certificates representing shares of any capital stock, cash and/or other securities or property to be distributed to such holder with respect to any conversion or redemption of shares of such Common Stock, such holder is required to surrender at such place as the Company specified certificates for shares of such Common Stock, properly endorsed or assigned for transfer (unless the Company waives such requirement). As soon as practicable after the Company's receipt of certificates for such shares of such Common Stock, the Company will deliver to the person for whose account such shares were so surrendered, or to the nominee or nominees of such person, certificates representing the number of whole shares of the kind of capital stock, cash and/or other securities or property to which such person was entitled, together with any fractional payment referred to below, in each case without interest. If less than all of the shares of any Common Stock represented by any one certificate are to be converted or redeemed, the Company will issue and deliver a new certificate for the shares of such class of Common Stock not converted or redeemed.

From and after any conversion or redemption of shares of any class of Common Stock, all rights of a holder of shares of such Common Stock that were converted or redeemed will cease, except for the right, upon surrender of the certificates representing such shares of such Common Stock, to receive certificates representing shares of the kind and amount of capital stock, cash and/or other securities or property for which such shares were converted or redeemed, together with any fractional payment or rights to dividends as provided above, in each case without interest. No holder of a certificate that immediately prior to the conversion or redemption of any Common Stock represented shares of such Common Stock will be entitled to receive any dividend or other distribution with respect to shares of any kind of capital stock into or in exchange for which shares of such Common Stock were converted or redeemed until surrender of such holder's certificate in exchange for a certificate or certificates representing shares of such kind of capital stock. Upon such surrender, there will be paid to the holder the amount of any dividends or other distributions (without interest) which theretofore became payable with respect to a record date occurring after the conversion or redemption, but which were not paid by reason of the foregoing, with respect to the number of whole shares of the kind of capital stock represented by the certificate or certificates issued upon such surrender. From and after a conversion or redemption, the Company will, however, be entitled to treat the certificates for such Common Stock that have not yet been surrendered for conversion or redemption as evidencing the ownership of the number of whole shares of the kind of capital stock for which the shares of such Common Stock represented by such certificates should have been converted or redeemed, notwithstanding the failure to surrender such certificates.

The Company will pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of any shares of capital stock and/or other securities on conversion or redemption of shares of any class of Common Stock pursuant hereto. The Company will not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of any shares of capital stock and/or other securities in a name other than that in which the shares of such Common Stock so converted or redeemed were registered, and no such issue or delivery would be made unless and until the person requesting such issue paid to the Company the amount of any such tax, or established to the satisfaction of the Company that such tax had been paid.

Voting Rights

Currently, holders of Existing Common Stock have one vote per share on all matters submitted to shareholders. In addition, holders of any series of Existing Preferred Stock would have the right to vote as a separate voting group under the CBCA in certain circumstances. See "— Comparison of Shareholder Rights." The Restated Certificate will provide that the holders of all classes of Common

Stock and any series of Preferred Stock outstanding at the time of such vote and entitled to vote together with the holders of Common Stock will vote together as a single class on all matters as to which common stockholders generally are entitled to vote other than a matter with respect to which the Common Stock or any class thereof or the Preferred Stock or any series thereof would be entitled to vote as a separate class. On all matters as to which both classes of Common Stock would vote together as a single class, (i) each outstanding share of Communications Stock shall have one vote, and (ii) each outstanding share of Media Stock shall have a number of votes equal to .80 of a vote prior to March 1, 1996 and, on or after March 1, 1996, a number of votes (including a fractional vote) equal to the quotient (calculated to the nearest three decimal places), as of the tenth Trading Day prior to such record date, of (A) the sum of (1) four times the average Market Value of the Media Stock over the five-Trading Day period ending on such tenth Trading Day, (2) three times the average Market Value of the Media Stock over the next preceding five-Trading Day period, (3) two times the average Market Value of the Media Stock over the next preceding five-Trading Day period and (4) the average Market Value of the Media Stock over the next preceding five-Trading Day period, divided by (B) the sum of (1) four times the average Market Value of the Communications Stock over the five-Trading Day period ending on such tenth Trading Day, (2) three times the average Market Value of the Communications Stock over the next preceding five-Trading Day period, (3) two times the average Market Value of the Communications Stock over the next preceding five-Trading Day period and (4) the average Market Value of the Communications Stock over the next preceding five-Trading Day period. If shares of only one class of Common Stock are outstanding, each share of that class shall be entitled to one vote. If any class of Common Stock is entitled to vote as a separate class with respect to any matter, each share of that class shall be entitled to one vote in the separate vote on such matter.

To illustrate the foregoing, if the average Market Value of the Media Stock for the periods specified in Clause (A) above were \$20, \$24, \$22 and \$18, respectively, and the average Market Value of the Communications Stock for the periods specified in Clause (B) above were \$30, \$28, \$32, and \$35, respectively, each share of Communications Stock would have one vote and each share of Media Stock would have 0.706 votes based on the following calculation: $\{[(4 \times \$20) + (3 \times \$24) + (2 \times \$22) + (1 \times \$18)] / [(4 \times \$30) + (3 \times \$28) + (2 \times \$32) + (1 \times \$35)]\}$. Based on such number of votes, on any proposal where both classes of Common Stock vote together as a single class (with no classes or series of Preferred Stocks, if any, entitled to vote together with the holders of Common Stock) and assuming there are issued and outstanding 500 million shares of Communications Stock and 500 million shares of Media Stock, the shares of Communications Stock and Media Stock would represent 58.62% and 41.38%, respectively, of the total voting power.

The Company anticipates that the Communications Stock would initially represent a majority of the voting power of all classes and series entitled to vote in the election of directors.

If the Recapitalization Proposal is approved by shareholders and implemented by the Board, the Company will set forth the number of outstanding shares of Communications Stock and Media Stock in its Annual and Quarterly Reports filed pursuant to the Exchange Act, and will disclose in any proxy statement for a stockholder meeting the number of outstanding shares and per share voting rights of the Communications Stock and the Media Stock.

The relative voting rights of the Communications Stock and the Media Stock could fluctuate as described above so that a holder's voting rights would more closely reflect the Market Value of such holder's equity investment in the Company. Fluctuations in the relative voting rights of the Communications Stock and the Media Stock could influence an investor interested in acquiring and maintaining a fixed percentage of the voting power of the Company, to acquire such percentage of both classes of Common Stock, and would limit the ability of investors in one class to acquire for the same consideration relatively more or less votes per share than investors in the other class.

Following implementation of the Recapitalization Proposal, the holders of Communications Stock or Media Stock would not have any rights to vote separately as a class on any matter coming before stockholders of the Company, except for certain limited class voting rights provided under Delaware